

KERNEL

Kernel Holding S.A.
and Subsidiaries



Q1 FY2015

Condensed Consolidated Interim Financial Statements

for 3 months ended 30 September 2014

Management Discussion & Analysis

for 3 months ended 30 September 2014

Key Highlights:

- Revenues increased 40% y-o-y to USD 579.2 million in Q1 FY2015, driven by an increase in volumes amid global agricultural commodity prices that were lower y-o-y.
- EBITDA of USD 80.5 million in Q1 FY2015, up from USD 3.0 million in Q1 FY2014, as a result of improved profitability across all business lines.
- The sunflower oil business performed well, with sunflower seed crushing volumes up 2.2x y-o-y and sunflower oil sales in bulk up 2.1x y-o-y in Q1 FY2015 as a result of strong sunflower seed inventories accumulated by the company at the end of FY2014. The segment sunflower oil sales in bulk's EBITDA margin improved from USD 8 per ton a year ago to USD 202 per ton in Q1 FY2015, reflecting lower competition on the market.
- The grain segment's export volumes grew 38% y-o-y to 1.2 million tons in Q1 FY2015 as a result of strong wheat and barley harvests in Ukraine and Russia, and accelerated selling by farmers. The segment's EBITDA margin improved from USD 11 per ton a year ago to USD 14 per ton in Q1 FY2015, reflecting strong selling by farmers.
- Export terminals' throughput growth of 56% y-o-y to 1.2 million tons in Q1 FY2015 tracked an increase in grain and sunflower oil exports. The segment's EBITDA margin rose 16% y-o-y to USD 10 per ton in Q1 FY2015 reflecting operating leverage.

- Our own farming crop yields increased 16-29% y-o-y, driven by the change in technology amid less favorable weather conditions. The farming segment's results in Q1 FY2015 reflect mostly intragroup sales of oilseed crops while grain sales are scheduled to begin from Q2 FY2015 when VAT refund on grain export sales by farming companies is resumed.
- Net profit of USD 23.4 million in Q1 FY2015 also reflects a foreign exchange loss of USD 17.2 million stemming from Ukrainian hryvnya devaluation during the period.

Corporate and Regulatory:

- In August 2014, Kernel renewed its pre-export credit facilities, which are being used to finance working capital in the sunflower oil and grain business. With this renewal, the Company completed its refinancing needs for this marketing season.
- In July 2014, the Ukrainian parliament adopted changes to the Tax Code that reinstate VAT refunds for farming companies exporting their own grain effective from 1 October 2014. VAT on grain exports was not refunded from 1 July 2011 to 1 January 2014 and from 1 April 2014 to 1 October 2014.
- The annual general meeting of shareholders is scheduled to be held on 10 December 2014. Among other things, the board is recommending shareholders to approve a USD 0.25 per share ordinary dividend payout.

USD million except ratios and EPS	Q1 FY2015	Q1 FY2014	y-o-y
P&L highlights			
Revenue	579.2	412.9	40%
EBITDA ⁽¹⁾	80.5	3.0	27x
Net profit/(loss) attributable to equity holders of Kernel Holding S.A.	23.4	(33.4)	n/m
EBITDA margin	13.9%	0.7%	13.2pp
Net margin	4.0%	(8.1%)	12.1pp
EPS ⁽²⁾ , USD	0.29	(0.42)	n/m
Cash flow highlights			
Operating profit before working capital changes	74.4	12.3	6.1x
Change in working capital	0.9	(16.2)	n/m
Cash from operations before interest and taxes	75.3	(3.9)	n/m
Net cash obtained from operating activities	46.0	(35.9)	n/m
Net cash used in investing activities	(11.6)	(17.0)	(32%)
Liquidity position and credit metrics			
Net interest-bearing debt	653.9	711.8	(8%)
Readily marketable inventories	328.8	276.3	19%
Adjusted net debt ⁽³⁾	325.2	435.5	(25%)
Shareholders' equity	1,022.5	1,301.5	(21%)
Net debt/EBITDA ⁽⁴⁾	2.2x	3.3x	(1.1x)
Adjusted net debt/EBITDA ⁽³⁾	1.1x	2.0x	(1.0x)
EBITDA/Interest ⁽⁵⁾	3.9x	3.2x	0.7x

⁽¹⁾ Hereinafter, EBITDA is calculated as the sum of profit from operating activities plus amortization and depreciation.

⁽²⁾ EPS is measured in US Dollars per share, based on 79.7 million shares for Q1 FY2015 and Q1 FY2014.

⁽³⁾ Adjusted net financial debt is net debt minus readily marketable inventories. Adjusted net debt/EBITDA is calculated based on 12-month trailing EBITDA.

⁽⁴⁾ Net debt / EBITDA is calculated based on 12-month trailing EBITDA.

⁽⁵⁾ EBITDA/Interest is calculated based on 12-month trailing EBITDA and net finance costs.

Segment Results and Discussion

for 3 months ended 30 September 2014

Segment Results Summary

	Revenue, USD million			EBITDA, USD million			EBITDA margin		Volumes, thousand tons		
	Q1 FY2015	Q1 FY2014	y-o-y	Q1 FY2015	Q1 FY2014	y-o-y	Q1 FY2015	Q1 FY2014	Q1 FY2015	Q1 FY2014	y-o-y
Sunflower oil											
Sunflower oil sold in bulk	232.5	116.5	2.0x	40.9	0.8	53x	17.6%	0.7%	202.6	95.7	2.1x
Bottled sunflower oil	26.3	33.4	(21%)	3.8	3.7	1%	14.4%	11.2%	22.8 ⁽¹⁾	22.4 ⁽¹⁾	2%
Grain and infrastructure											
Grain	287.0	229.0	25%	17.7	9.4	88%	6.2%	4.1%	1,220.9	884.7	38%
Export terminals	10.7	7.2	48%	6.8	3.7	85%	63.9%	51.3%	1,212.6 ⁽²⁾	778.2 ⁽²⁾	56%
Silo services	9.2	9.8	(6%)	4.5	4.6	(4%)	48.5%	47.5%			
Farming											
Farming	55.3	69.9	(21%)	10.7	(6.4)	n/m	19.4%	(9.2%)			
Sugar and discontinued operations ⁽³⁾	20.2	4.7	4.3x	2.9	(0.2)	n/m	14.4%	(5.3%)			
Unallocated corporate expenses				(6.8)	(12.6)	(46%)					
Revenue reconciliation	(62.0)	(57.5)	8%								
Total	579.2	412.9	40%	80.5	3.0	27x	13.9%	0.7%			

Note: Differences are possible due to rounding. Segment revenue includes intersegment sales reflected in the item "Reconciliation".

⁽¹⁾ Million liters.

⁽²⁾ Including 543,050 tons transhipped through Taman port in Q1 FY2015 and 359,209 tons in Q1 FY2014 (Kernel's share in joint venture).

⁽³⁾ Discontinued operations from sugar and assets held for sale.

Harvest Update

	Acreage, thousand hectares			Net crop yield ⁽¹⁾ , tons/hectare			Net tonnage, thousand tons	
	FY2015	FY2014	y-o-y	FY2015	FY2014	y-o-y	FY2015	FY2014
Corn	184.2	161.6	14%	7.1	5.5	29%	1,308.0	891.2
Wheat	30.7	33.6	(9%)	5.4	4.3	24%	165.2	146.0
Sunflower	69.5	102.8	(32%)	2.5	2.1	16%	170.8	217.9
Soybean	66.5	61.2	9%	1.8	1.4	28%	122.2	88.0
Other ⁽²⁾	21.7	22.7	(4%)					
Total	383.9	388.7	(1%)					
incl. grains	223.0	201.1	11%	6.7	5.3	28%	1,500.3	1,056.1
incl. oilseed crops	136.1	169.2	(20%)	2.2	1.9	14%	293.1	319.2

⁽¹⁾ Net crop yields are based on 95% of corn acreage harvested and 100% for other crops, and based on estimated losses during drying and cleaning.

1 ton per hectare equals 15.9 bushels per acre for corn and 14.9 bushels per acre for wheat and soybean.

⁽²⁾ Other acreage includes barley, rye, oats, forage crops, and land left fallow for crop rotation purposes.

Sunflower Oil Sales in Bulk Segment

- Sunflower seed crushing volumes increased 2.2x y-o-y to 506,386 tons in Q1 FY2015, a record volume for the seasonally weak first quarter, as the Company procured strong inventory stock as of the beginning of the quarter, utilizing better availability of sunflower seed on the market. The segment's revenues amounted to USD 232.5 million in Q1 FY2015, up 2.0x y-o-y.
- As a result of higher crush, sunflower oil sales in bulk increased 2.1x y-o-y to 202,592 tons in Q1 FY2015.
- The segment's profitability improved to USD 202 per ton in Q1 FY2015 (vs. USD 164 per ton in FY2014 and USD 8 per ton in Q1 FY2014), as the Company took advantage of lower competition to improve the margin.
- The segment's total EBITDA amounted to USD 40.9 million in Q1 FY2015 compared to USD 0.8 million in Q1 FY2014, due to a combination of better margins and volumes.

Bottled Oil Segment

- Bottled oil sales amounted to 22.8 million liters in Q1 FY2015, up 2% y-o-y. The segment's revenues declined 21% y-o-y to USD 26.3 million in Q1 FY2015, reflecting an environment where sunflower oil prices were lower y-o-y.
- The bottled oil segment's EBITDA margin was 14.4% in Q1 FY2015, up from 11.2% a year ago, but lower than the sunflower oil sales in bulk segment's profitability in Q1 FY2015 due to the natural lag in retail price adjustment following local currency devaluation.
- The segment's total EBITDA amounted to USD 3.8 million in Q1 FY2015, compared to USD 3.7 million in Q1 FY2014.

Segment Results and Discussion

for 3 months ended 30 September 2014

Grain Segment

- Grain sales increased 38% y-o-y to 1,220,855 tons in Q1 FY2015, driven by solid wheat and barley harvests both in Ukraine and Russia (109 million tons for both countries in 2014/15 compared to 97 million tons in 2013/14), as well as faster selling by farmers in the beginning of the season this year. The segment's revenues increase of 25% y-o-y to USD 287.0 million in Q1 FY2015 was slower than growth in volumes as international prices decreased y-o-y.
- The grain segment's EBITDA margin was USD 14 per ton in Q1 FY2015 (compared to USD 11 per ton in Q1 FY2014), an improvement driven by farmers' willingness to sell a higher portion of their crop in the beginning of the season.
- As a result of improved margins and growth in volumes, the segment's EBITDA almost doubled y-o-y to USD 17.7 million in Q1 FY2015.

Export Terminals and Silo Services Segments

- The export terminals segment's throughput rose 56% y-o-y to 1.2 million tons in Q1 FY2015, fueled by an increase in grain and sunflower oil exports. The segment's EBITDA margin increased 16% y-o-y to USD 10 per ton in Q1 FY2015 reflecting operating leverage.
- The segment's total EBITDA increased 1.9x y-o-y to USD 6.8 million in Q1 FY2015 (this reflects only Ukrainian operations, as the contribution from the Taman joint venture is accounted for according to the equity method below operating profit). The net contribution from the Taman joint venture increased 2.2x y-o-y to USD 4.2 million in Q1 FY2015, reflecting growth in volumes and the operating leverage of the fixed costs business.
- The silo services segment's revenues declined 6% y-o-y to USD 9.2 million in Q1 FY2015 as less rainy weather this autumn required less drying services to be provided during crop intake at silos. The segment's EBITDA amounted to USD 4.5 million in Q1 FY2015 compared to USD 4.6 million in Q1 FY2014.

Farming and Sugar Segments

- 97% acreage harvesting for FY2015 was completed as of this report's publication, with crop yields up 16-29% y-o-y as a result of improved technology amid inferior weather conditions. As a result, the total grain and oilseed harvest increased 30% y-o-y to 1.8 million tons in FY2015.
- In July 2014, the Ukrainian parliament adopted changes to the Tax Code to reinstate VAT refunds for farming companies that directly export grains effective from 1 October 2014. VAT on grain exports was not refunded from 1 July 2011 to 1 January 2014 and from 1 April 2014 to 1 October 2014. As a result, most grain sales for our own farming division are contracted starting from 1 October 2014, while Q1 FY2014 sales reflect primarily oilseed crops sold intragroup.
- As a result, the segment's revenues comprised of USD 55.3 million in Q1 FY2015, with EBITDA up to USD 10.7 million in Q1 FY2015, compared to negative USD 6.4 million a year ago.
- The Company also sold most of its sugar stock leftover from the 2012 production campaign in Q1 FY2015, prior to the sharp decline in sugar prices on the local market. Sugar sales contributed USD 2.9 million to the Company's EBITDA in Q1 FY2015 compared to negative USD 0.2 million a year ago.

Financial Highlights

for 3 months ended 30 September 2014

Income Statement Highlights

- Revenues increased 40% y-o-y to USD 579.2 million in Q1 FY2015 as a result of 2.1x growth in sunflower oil sales volumes and 38% growth in grain exports, amid global agricultural commodities prices that were lower y-o-y.
- The net change in fair value of biological assets and agricultural produce (IAS 41 effect) was negative at USD 1.6 million in Q1 FY2015 versus negative USD 9.4 million in Q1 FY2014. Both items reflect the expensing of the portion of the fair value component booked in the previous financial year (primarily in the fourth quarter), with the Q1 FY2015 amount lower y-o-y due to most of the sales being contracted for later periods.
- Gross profit increased 4.3x y-o-y to USD 111.5 million in Q1 FY2015 as a result of improved profitability across all business lines.
- Other operating income of USD 8.7 million (down 45% y-o-y) was represented by farming-related VAT exemptions and an operating foreign exchange gain caused by the discrepancy between the market exchange rate (at which the company exchanges US dollars into Ukrainian hryvnya) and the official currency exchange rate (used for accounting purposes for the conversion of payments executed in Ukrainian hryvnias to US dollars, the company's functional currency).
- Distribution costs were USD 44.9 million in Q1 FY2014, up 7% y-o-y due to higher volumes. The distribution costs stood at 7.7% of revenue in Q1 FY2015 compared to 10.2% a year ago, as Ukrainian hryvnya depreciation decreased railway transportation costs.
- General and administrative expenses totaled USD 15.0 million in Q1 FY2015 versus USD 22.3 million in Q1 FY2014, a decrease of 33% y-o-y primarily due to the depreciation of the Ukrainian hryvnya.
- Profit from operating activities was USD 60.4 million in Q1 FY2015 compared to a loss of USD 22.8 million in Q1 FY2014. Further to the improved profitability in all business lines, the depreciated Ukrainian hryvnya decreased the US dollar value of the depreciation charge for the Company's subsidiaries that use the Ukrainian hryvnya as their functional currency.
- Net finance costs increased 38% y-o-y to USD 18.5 million in Q1 FY2015, reflecting 2.1x and 38% y-o-y growth in sunflower oil and grain exports, respectively, which required higher working capital.
- Foreign exchange losses of USD 17.2 million in Q1 FY2015 reflected 9% Ukrainian hryvnya depreciation during the quarter, which caused the revaluation of outstanding VAT receivables and intragroup debt between subsidiaries with different functional currencies.
- The share of profit from the Taman joint venture increased to USD 4.2 million in Q1 FY2015 compared to USD 2.0 million in Q1 FY2014 as a result of transshipment volume growth and fixed cost dilution.
- The net profit attributable to the shareholders of Kernel Holding S.A. stood at USD 23.4 million in Q1 FY2015 versus a net loss of USD 33.4 million in Q1 FY2014.

Cash Flow Highlights

- Operating profit before working capital changes was USD 74.4 million in Q1 FY2015 versus USD 12.3 million in Q1 FY2014, with the increase reflecting higher volumes and profitability across all business lines.
- Working capital was unchanged (a release of USD 0.9 million in Q1 FY2015 versus an increase of USD 16.2 million in Q1 FY2014) in US dollar value but increased in tonnage as a result of lower soft commodity prices.
- Net cash used in investing activities was USD 11.6 million in Q1 FY2015 versus USD 17.0 million in Q1 FY2014, reflecting a lower capital expenditures budget for FY2015.
- All of the above translated into the net repayment of USD 45.2 million of borrowings in Q1 FY2015 (USD 58.0 million provided by financing activities in Q1 FY2014).

Credit Metrics Highlights

- Net debt decreased to USD 653.9 million as of 30 September 2014 versus USD 711.8 as of 30 September 2013, reflecting the Company's strong operating cash flow and a y-o-y lower level of commodity prices. Readily marketable inventories (USD 328.8 million) and biological assets (USD 75.3 million at cost, primarily crops in fields) covered 62% of net debt as of 30 September 2014, same as a year ago.
- Net debt to EBITDA decreased to 2.2x as of 30 September 2014 versus 3.3x as of 30 September 2013 as a result of strong operating cash flow during the last year. Net debt adjusted for readily marketable inventories to EBITDA decreased to 1.1x as of 30 September 2014 versus 2.0x year ago for the same reason.

Credit Metrics

USD million except ratios	30 September 2014	30 September 2013
Gross interest-bearing debt	706.4	789.5
Cash	52.5	77.7
Net interest-bearing debt	653.9	711.8
Readily marketable inventories	328.8	276.3
Adjusted net financial debt ⁽¹⁾	325.2	435.5
Shareholders' equity ⁽²⁾	1,022.5	1,301.5
Net debt / EBITDA ⁽³⁾	2.2x	3.3x
Adjusted net debt / EBITDA ⁽³⁾	1.1x	2.0x
EBITDA / Interest ⁽⁴⁾	3.9x	3.2x

⁽¹⁾ Adjusted net financial debt is the net debt less readily marketable inventories.

⁽²⁾ Total equity attributable to Kernel Holding S.A. shareholders.

⁽³⁾ Net debt/EBITDA and Adjusted net debt/EBITDA are calculated based on 12-month trailing EBITDA.

⁽⁴⁾ EBITDA/Interest is calculated based on 12-month trailing EBITDA and net finance costs.

Condensed Consolidated Interim Financial Statements

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Selected Financial Data

for 3 months ended 30 September

		USD thousand		PLN thousand		EUR thousand	
		30 September 2014	30 September 2013	30 September 2014	30 September 2013	30 September 2014	30 September 2013
I.	Revenue	579,162	412,903	1,824,824	1,324,263	436,978	311,742
II.	Profit/(Loss) from operating activities	60,369	(22,774)	190,211	(73,041)	45,548	(17,194)
III.	Profit/(Loss) before income tax	25,134	(34,011)	79,192	(109,080)	18,964	(25,678)
IV.	Profit/(Loss) for the period from continuing operations	24,078	(31,463)	75,865	(100,908)	18,167	(23,755)
V.	Net cash generated by/(used in) operating activities	46,003	(35,870)	144,947	(115,042)	34,709	(27,081)
VI.	Net cash used in investing activities	(11,636)	(17,049)	(36,663)	(54,680)	(8,779)	(12,872)
VII.	Net cash (used in)/generated by financing activities	(47,286)	57,945	(148,989)	185,841	(35,677)	43,748
VIII.	Total net cash flow	(12,919)	5,026	(40,705)	16,119	(9,747)	3,795
IX.	Total assets	1,866,534	2,359,696	6,154,523	7,368,623	1,474,002	1,747,591
X.	Current liabilities	579,598	660,030	1,911,108	2,061,076	457,709	488,818
XI.	Non-current liabilities	267,849	382,545	883,179	1,194,573	211,520	283,313
XII.	Issued capital	2,104	2,104	6,938	6,570	1,662	1,558
XIII.	Total equity	1,019,087	1,317,121	3,360,236	4,112,974	804,773	975,460
XIV.	Number of shares	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410	79,683,410
XV.	Profit/(Loss) per ordinary share (in USD/PLN/EUR)	0.29	(0.42)	0.93	(1.36)	0.22	(0.32)
XVI.	Diluted number of shares	79,641,794	79,956,075	79,641,794	79,956,075	79,641,794	79,956,075
XVII.	Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	0.29	(0.42)	0.93	(1.36)	0.22	(0.32)
XVIII.	Book value per share (in USD/PLN/EUR)	12.83	16.33	42.31	51.00	10.13	12.10
XIX.	Diluted book value per share (in USD/PLN/EUR)	12.84	16.28	42.33	50.83	10.14	12.05

Condensed Consolidated Interim Statement of Financial Position

for 3 months ended 30 September

(USD thousand unless otherwise stated)

	Notes	As of 30 September 2014	As of 30 June 2014	As of 30 September 2013
Assets				
Current assets				
Cash and cash equivalents		52,477	65,400	77,724
Trade accounts receivable, net	6	72,598	99,796	137,247
Prepayments to suppliers and other current assets, net	17	77,914	56,924	133,666
Corporate income tax prepaid		16,638	11,689	19,323
Taxes recoverable and prepaid, net		110,632	144,539	156,116
Inventory	7	411,388	299,527	327,561
Biological assets	8	79,423	182,836	209,420
Assets classified as held for sale	9	8,235	11,818	21,445
Total current assets		829,305	872,529	1,082,502
Non-current assets				
Property, plant and equipment, net	10	624,800	643,462	771,133
Intangible assets, net		90,038	94,739	152,368
Goodwill		134,772	138,575	161,739
Investments in joint ventures		102,339	98,075	96,100
Deferred tax assets		11,299	11,648	17,340
Corporate income tax prepaid		30,131	33,533	33,534
Available-for-sale financial assets	11	18,296	—	—
Other non-current assets	17	25,554	26,461	44,980
Total non-current assets		1,037,229	1,046,493	1,277,194
Total assets		1,866,534	1,919,022	2,359,696
Liabilities and equity				
Current liabilities				
Trade accounts payable	17	38,880	33,369	60,605
Advances from customers and other current liabilities	17	74,959	79,570	173,491
Short-term borrowings	12	396,127	405,821	345,448
Current portion of long-term borrowings	13	66,180	77,335	78,291
Liabilities directly associated with assets classified as held for sale	9	3,452	1,268	2,195
Total current liabilities		579,598	597,363	660,030
Non-current liabilities				
Long-term borrowings	13	226,974	247,525	340,442
Obligations under finance lease		10,919	12,486	17,410
Deferred tax liabilities		18,211	17,236	19,390
Other non-current liabilities	17	11,745	13,726	5,303
Total non-current liabilities		267,849	290,973	382,545
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital	2	2,104	2,104	2,104
Share premium reserve		463,879	463,879	463,879
Additional paid-in capital		39,944	39,944	39,944
Equity-settled employee benefits reserve		3,176	3,176	3,028
Revaluation reserve		39,456	39,456	40,053
Translation reserve		(400,366)	(367,691)	(161,219)
Retained earnings		874,341	848,793	913,673
Total equity attributable to Kernel Holding S.A. equity holders		1,022,534	1,029,661	1,301,462
Non-controlling interest		(3,447)	1,025	15,659
Total equity		1,019,087	1,030,686	1,317,121
Total liabilities and equity		1,866,534	1,919,022	2,359,696
Book value		1,022,534	1,029,661	1,301,462
Number of shares	2	79,683,410	79,683,410	79,683,410
Book value per share (in USD)		12.83	12.92	16.33
Diluted number of shares		79,641,794	79,856,603	79,956,075
Diluted book value per share (in USD)		12.84	12.89	16.28

On behalf of the Board
Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Profit or Loss

for 3 months ended 30 September 2014

(USD thousand unless otherwise stated)

	Notes	30 September 2014	30 September 2013
Revenue		579,162	412,903
Net change in fair value of biological assets and agricultural produce		(1,647)	(9,385)
Cost of sales	17	(465,982)	(377,744)
Gross profit		111,533	25,774
Other operating income, net	15	8,696	15,846
Operating expenses			
Distribution costs	17	(44,862)	(42,087)
General and administrative expenses	17	(14,998)	(22,307)
Profit/(Loss) from operating activities		60,369	(22,774)
Finance costs, net	17	(18,491)	(13,389)
Foreign exchange (loss)/gain, net	16	(17,202)	1,198
Other expenses, net	17	(3,767)	(1,008)
Share of gain of joint ventures		4,225	1,962
Profit/(Loss) before income tax		25,134	(34,011)
Income tax (expenses)/benefit		(1,056)	2,548
Profit/(Loss) for the period from continuing operations		24,078	(31,463)
Discontinued operations			
Loss for the period from discontinued operations		(1,772)	(2,861)
Profit/(Loss) for the period		22,306	(34,324)
Profit/(Loss) for the period attributable to:			
Equity holders of Kernel Holding S.A.		23,422	(33,426)
Non-controlling interest		(1,116)	(898)
Earnings per share			
From continuing and discontinued operations			
Weighted average number of shares	2	79,683,410	79,683,410
Profit/(Loss) per ordinary share (in USD)		0.29	(0.42)
Diluted number of shares		79,641,794	79,956,075
Diluted profit/(loss) per ordinary share (in USD)		0.29	(0.42)
From continuing operations			
Weighted average number of shares		79,683,410	79,683,410
Profit/(Loss) per ordinary share (in USD)		0.32	(0.38)
Diluted number of shares		79,641,794	79,956,075
Diluted profit/(loss) per ordinary share (in USD)		0.32	(0.38)

On behalf of the Board

Andriy Verevsky
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

for 3 months ended 30 September 2014

(in USD thousands)

	30 September 2014	30 September 2013
Profit/(Loss) for the period	22,306	(34,324)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(33,905)	(729)
Other comprehensive loss, net	(33,905)	(729)
Total comprehensive loss for the period	(11,599)	(35,053)
Total comprehensive loss attributable to:		
Equity holders of Kernel Holding S.A.	(9,253)	(34,023)
Non-controlling interest	(2,346)	(1,030)

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Changes in Equity

for 3 months ended 30 September 2014

(in USD thousands)	Attributable to Kernel Holding S.A. shareholders								Non-controlling interest	Total equity
	Issued capital	Share premium reserve	Additional paid-in capital	Equity-settled employee benefits reserve	Re-valuation reserve	Translation reserve	Retained earnings	Total		
Balance as of 30 September 2013	2,104	463,879	39,944	3,028	40,053	(161,219)	913,673	1,301,462	15,659	1,317,121
Loss for the period	—	—	—	—	—	—	(9,097)	(9,097)	(4,415)	(13,512)
Other comprehensive income	—	—	—	—	—	629	—	629	116	745
Total comprehensive income/(loss) for the period	—	—	—	—	—	629	(9,097)	(8,468)	(4,299)	(12,767)
Effect of changes of non-controlling interest	—	—	—	—	—	—	—	—	115	115
Balance as of 31 December 2013	2,104	463,879	39,944	3,028	40,053	(160,590)	904,576	1,292,994	11,475	1,304,469
Loss for the period	—	—	—	—	—	—	(25,135)	(25,135)	(3,655)	(28,790)
Other comprehensive loss	—	—	—	—	(597)	(187,260)	—	(187,857)	(11,162)	(199,019)
Total comprehensive loss for the period	—	—	—	—	(597)	(187,260)	(25,135)	(212,992)	(14,817)	(227,809)
Effect of changes of non-controlling interest	—	—	—	—	—	—	—	—	(1,149)	(1,149)
Balance as of 31 March 2014	2,104	463,879	39,944	3,028	39,456	(347,850)	879,441	1,080,002	(4,491)	1,075,511
Loss for the period	—	—	—	—	—	—	(30,648)	(30,648)	(132)	(30,780)
Other comprehensive (loss)/income	—	—	—	—	—	(19,841)	—	(19,841)	4,519	(15,322)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(19,841)	(30,648)	(50,489)	4,387	(46,102)
Effect of changes of non-controlling interest	—	—	—	—	—	—	—	—	1,129	1,129
Recognition of share-based payments	—	—	—	148	—	—	—	148	—	148
Balance as of 30 June 2014	2,104	463,879	39,944	3,176	39,456	(367,691)	848,793	1,029,661	1,025	1,030,686
Profit/(Loss) for the period	—	—	—	—	—	—	23,422	23,422	(1,116)	22,306
Other comprehensive loss	—	—	—	—	—	(32,675)	—	(32,675)	(1,230)	(33,905)
Total comprehensive (loss)/profit for the period	—	—	—	—	—	(32,675)	23,422	(9,253)	(2,346)	(11,599)
Effect of changes of non-controlling interest	—	—	—	—	—	—	2,126	2,126	(2,126)	—
Balance as of 30 September 2014	2,104	463,879	39,944	3,176	39,456	(400,366)	874,341	1,022,534	(3,447)	1,019,087

On behalf of the Board

Andriy Verevsky
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Condensed Consolidated Interim Statement of Cash Flows

for 3 months ended 30 September

(in USD thousands)

30 September 2014

30 September 2013

Operating activities:		
Profit/(Loss) before income tax	24,442	(37,609)
Adjustments for:		
Amortization and depreciation	20,091	25,749
Finance costs, net	18,491	13,389
Movement in allowance for doubtful receivables	146	1,177
Other accruals	540	(602)
Loss on disposal of property, plant and equipment	678	3,147
Net foreign exchange loss/(gain)	12,587	(343)
Write-offs and impairment gain	—	(46)
Net change in fair value of biological assets and agricultural produce	1,647	9,385
Share of profit of joint ventures	(4,225)	(1,962)
Operating profit before working capital changes	74,397	12,285
Changes in working capital:		
Change in trade accounts receivable	26,328	4,253
Change in prepayments and other current assets	(25,647)	(17,106)
Change in restricted cash balance	—	6,193
Change in taxes recoverable and prepaid	9,314	34,566
Change in biological assets	101,925	23,750
Change in inventories	(113,168)	(52,304)
Change in trade accounts payable	4,395	12,132
Change in advances from customers and other current liabilities	(2,199)	(27,638)
Cash generated from/(used in) operations	75,345	(3,869)
Finance costs paid	(21,463)	(13,261)
Income tax paid	(7,879)	(18,740)
Net cash generated by/(used in) operating activities	46,003	(35,870)
Investing activities:		
Purchase of property, plant and equipment	(9,300)	(22,518)
Proceeds from disposal of property, plant and equipment	551	5,643
Purchase of intangible and other non-current assets	(2,887)	(174)
Net cash used in investing activities	(11,636)	(17,049)
Financing activities:		
Proceeds from borrowings	99,212	249,464
Repayment of borrowings	(144,442)	(191,506)
Net cash (used in)/generated by financing activities	(45,230)	57,958
Effect of exchange rate changes on the balance of cash held in foreign currencies	(2,056)	(13)
Net (decrease)/increase in cash and cash equivalents	(12,919)	5,026
Cash and cash equivalents, at the beginning of the period	65,401	72,705
Cash and cash equivalents, at the end of the period	52,482	77,731

On behalf of the Board

Andriy Verevsky
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Notes to the Condensed Consolidated Interim Financial Statements

for 3 months ended 30 September

1. Corporate Information

Kernel Holding S.A. (hereinafter referred to as the 'Holding') incorporated under the legislation of Luxembourg on 15 June 2005 (number B 109,173 in the Luxembourg Register of Companies) is the holding company for a group of entities (hereinafter referred to as the 'Subsidiaries'), which together form Kernel Group (hereinafter referred to as the 'Group').

The Group's principal business activity is the production and subsequent export of sunflower oil and meal in bulk, the production and sale of bottled sunflower oil, the wholesale trade of grain (mainly corn, soybean, wheat and barley), farming, and the provision of logistics and transshipment services. The majority of the Group's manufacturing facilities is primarily based in Ukraine and the Russian Federation.

The Group's financial year runs from 1 July to 30 June.

The principal operating office of the Group is located at 3 Tarasa Shevchenka Lane, 01001 Kyiv, Ukraine.

As of 30 September 2014, 30 June 2014 and 30 September 2013, the primary Subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of		
			30 September 2014	30 June 2014	30 September 2013
Jerste BV	Holding companies.	Netherlands	100.0%	100.0%	100.0%
Tweelingen Ukraine LLC		Ukraine	100.0%	100.0%	100.0%
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%	100.0%
Restomon Ltd		British Virgin Islands	100.0%	100.0%	100.0%
Kernel-Trade, LLC		Ukraine	100.0%	100.0%	100.0%
Poltava OEP PJSC		Ukraine	99.7%	99.7%	99.7%
Bandurskiy OEP LLC	Production plants. Production of sunflower oil and meal.	Ukraine	100.0%	100.0%	100.0%
Vovchansky OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnjansky OEP LLC		Ukraine	100.0%	100.0%	100.0%
Kirovogradoliya PJSC		Ukraine	99.2%	99.2%	99.2%
Ekotrans LLC		Ukraine	100.0%	100.0%	100.0%
BSI LLC		Ukraine	100.0%	100.0%	100.0%
Stavropol oil CJSC		Russian Federation	100.0%	100.0%	100.0%
Nevinnomissky OEP CJSC		Russian Federation	0.0% ⁽¹⁾	0.0% ⁽¹⁾	100.0%
Ust-Labinsk Florentina OEP LLC		Russian Federation	100.0%	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services.	Cyprus	100.0%	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.0%	94.0%	94.0%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%	100.0%
Unigrain-Agro (Globyno) LLC	Agricultural farms. Cultivation of agricultural products: corn, sunflower seeds, wheat, soybean, wheat, barley and fodder crops	Ukraine	0.0% ⁽²⁾	0.0% ⁽²⁾	100.0%
Unigrain-Agro (Semenivka) LLC		Ukraine	100.0%	100.0%	100.0%
Agrofirma Arshytsya LLC		Ukraine	100.0%	100.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%	100.0%
Agrofirma Kuybyshevo LLC		Ukraine	100.0%	65.6%	65.6%
Palmira LLC		Ukraine	100.0%	93.0%	93.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	83.3%	83.3%	83.3%

These condensed consolidated interim financial statements were authorized for release by the Board of Directors of Kernel Holding S.A. on 25 November 2014.

⁽¹⁾ Disposed in February 2014.

⁽²⁾ Merged with Unigrain-Agro (Semenivka) LLC on 14 January 2014.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

for 3 months ended 30 September

2. Change in Issued Capital

Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg) (the 'Holding' or the 'Company'). The issued capital of the Company as of 30 September 2014 and 2013 consisted of 79,683,410 ordinary electronic shares without indication of a nominal value, providing 79,683,410 voting rights.

The shares were distributed as follows:

	As of 30 September 2014		As of 30 September 2013	
	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Equity holders				
Namsen Limited Liability Company registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	31,182,711	39.13%	30,610,657	38.42%
Free float	48,500,699	60.87%	49,072,753	61.58%
Total	79,683,410	100.00%	79,683,410	100.00%

As of 30 September 2014 and 2013, 100% of the beneficial interest in the Major Equity Holder was held by Andriy Mykhailovych Verevskyy (hereinafter the 'Beneficial Owner').

On 23 November 2007, Kernel Holding S.A. was listed on the Warsaw Stock Exchange. The total size of the initial public offering was PLN 546,402 thousand, comprising 22,766,750 shares, of which 16,671,000 were newly issued shares. Prior to the IPO, the capital of Kernel Holding S.A. consisted of 46,670,000 shares without indication of a nominal value. On 27 June 2008, an additional 5,400,000 ordinary shares of the Group were admitted to trading on the main market of the WSE. On 3 June 2010, Kernel issued 4,450,000 new shares. In 2011, Kernel issued 6,492,410 new shares, 1,092,410 of which were subscribed by stock option beneficiaries under the Management Incentive Plan at an issue price of PLN 24.

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 125 thousand as of 30 September 2014, unchanged from 30 September 2013, may not be distributed as dividends.

As part of the management incentive scheme, the Company's executives and senior employees are granted options to acquire shares of the Company. As of 30 September 2014, a total of 3,207,820 options were issued, of which 766,667 became exercisable on 4 November 2012 and another 766,667 on 4 November 2013 resulting in 2,191,153 options being vested as of 30 September 2014 (out of which 1,266,820 have strike price of PLN 24 per share, and the remaining have a strike price of PLN 75 per share). 316,705 options with a strike price of PLN 24 per share were not allocated. Such options granted under the Company's management incentive scheme carry no rights to dividends and no voting rights.

3. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies

These condensed consolidated interim financial statements for the three months ended 30 September 2014 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and do not include all of the information and disclosures required in the annual financial statements. The accounting policies and methods of computation adopted in the preparation of the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2014.

Management is currently evaluating the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. For other Standards and Interpretations, management anticipates that their adoption in future periods will not have a material effect on the financial statements of the Group.

The Group has adopted the standards that started to be effective or on after 1 July 2014.

The adoption of these standards and amendments did not have a material impact on the financial position or performance of the Group.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

for 3 months ended 30 September

3. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies (continued)

Functional and Presentation Currency

The Group's presentation currency is the United States dollar (USD). The functional currency of the majority of the Group's foreign Subsidiaries is their local currency, except for businesses engaged in the production and sale of sunflower oil, for which USD was selected as the functional currency.

Foreign Currencies

Transactions in currencies other than the functional currencies of the Group's companies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Subsequently, monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the 'Translation reserve'.

The exchange rates during the period of the financial statements were as follows:

Currency	Closing rate as of 30 September 2014	Average rate for the 3 months ended 30 September 2014	Closing rate as of 30 September 2013	Average rate for the 3 months ended 30 September 2013
USD/UAH	12.9492	12.5772	7.9930	7.9930
USD/EUR	0.7897	0.7545	0.7406	0.7550
USD/RUB	39.3866	36.1909	32.3451	32.7977
USD/PLN	3.2973	3.1508	3.1227	3.2072

The average exchange rates for each period are calculated as the arithmetic mean of the exchange rates for all trading days during this period. The sources of exchange rates are the official rates set by the National Bank of Poland for USD/PLN and USD/EUR, by the National Bank of Ukraine for USD/UAH and by the Central Bank of the Russian Federation for USD/RUB.

All foreign exchange gains or losses that occur on the revaluation of monetary balances, presented in foreign currencies, is allocated as a separate line in the Condensed Consolidated Interim Statement of Profit or Loss.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision makers in order to allocate resources to the segment and to assess its performance. The management and the members of the Board of Directors of the Group are identified as the chief operating decision makers.

Segments in the condensed consolidated interim financial statements are defined in accordance with the type of activity, products sold or services provided.

The operating segments' activities are as follows:

Operating segments	Activities
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil sold in bulk	Production and sales of sunflower oil sold in bulk (crude and refined) and meal.
Export terminals	Grain handling and transshipment services in the ports of Ilyichevsk and Mykolaiv.
Farming	Agricultural farming. Production of wheat, barley, corn, soybean and sunflower seed.
Grain	Sourcing and merchandising of wholesale grain.
Silo services	Provision of grain cleaning, drying and storage services.
Sugar	Marketing and distribution of sugar.
Other	Income and expenses unallocated to other segments, which are related to the administration of the Holding.

The measure of profit and loss, and assets and liabilities is based on the Group's accounting policies, which are in compliance with IFRS, as adopted by the European Union.

Reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments. The segment data is calculated as follows:

- Intersegment sales reflect intergroup transactions effected on an arm's length basis.
- Capital expenditures, amortization and depreciation related to property, plant and equipment and intangible assets are allocated to segments when possible.

Since financial management of the Group's companies is carried out centrally, financial liabilities are not allocated directly to the respective operating segments and are presented in the 'Other' segment. Consequently, the liabilities shown for the individual segments do not include financial liabilities.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

for 3 months ended 30 September

4. Key Data by Operating Segment

Key data by the operating segment for the three months ended 30 September 2014:

(in USD thousands)	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other conciliation	Re- operations	Discontinued operations	Continuing operations
Revenue (external)	26,265	232,471	56	10,816	286,956	2,366	21,877	—	—	(1,645)	579,162
Intersegment sales	—	—	10,664	44,472	—	6,841	—	—	(61,977)	—	—
Total revenue	26,265	232,471	10,720	55,288	286,956	9,207	21,877	—	(61,977)	(1,645)	579,162
Net change in fair value of biological assets and agricultural produce	—	—	—	(1,647)	—	—	—	—	—	—	(1,647)
Other operating income	—	2,404	228	5,865	134	65	39	—	—	(39)	8,696
Profit/(Loss) from operating activities	3,367	36,243	6,056	(1,562)	17,688	2,878	2,927	(7,214)	—	(14)	60,369
Finance costs, net											(18,491)
Foreign exchange loss, net											(17,202)
Other expenses, net											(3,767)
Share of gain of joint ventures											4,225
Income tax expense											(1,056)
Profit for the period from continuing operations											24,078
Total assets	79,405	768,006	184,940	478,047	216,781	124,384	5,286	1,450	—	—	1,858,299
Capital expenditures	105	1,203	—	5,658	—	4,763	—	227	—	—	11,956
Amortization and depreciation	403	4,631	790	12,270	—	1,584	—	413	—	—	20,091
Liabilities	1,991	38,678	744	43,235	25,568	1,122	1,248	731,409	—	—	843,995

During the three months ended 30 September 2014, none of the Group's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 91% of total external sales.

For the purpose of segment reporting, revenue from the sale of sunflower meal and cake is allocated to the bottled sunflower oil segment in proportion to the share of total sunflower oil production used for bottled sunflower oil sales, while remaining amounts are allocated to the sunflower oil sold in bulk segment.

The Group operates in two principal geographical areas — Ukraine and the Russian Federation. Information about its non-current assets by location of the assets and about revenue from continuing operations generated by the assets located in these areas is detailed below:

	Revenue from external customers	Non-current assets
(in USD thousands)	3 months ended 30 September 2014	As of 30 September 2014
Ukraine	422,013	908,056
Russian Federation	157,149	129,173
Total	579,162	1,037,229

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal in Taman port).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

for 3 months ended 30 September

4. Key Data by Operating Segment (continued)

Key data by the operating segment for the three months ended 30 September 2013:

(in USD thousands)	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Reconciliation	Discontinued operations	Continuing operations
Revenue (external)	33,365	116,450	1,569	23,504	229,010	4,285	4,926	—	—	(206)	412,903
Intersegment sales	—	—	5,661	46,389	—	5,468	—	—	(57,518)	—	—
Total revenue	33,365	116,450	7,230	69,893	229,010	9,753	4,926	—	(57,518)	(206)	412,903
Net change in fair value of biological assets and agricultural produce	—	—	—	(9,385)	—	—	—	—	—	—	(9,385)
Other operating income	320	2,174	2	5,363	5,922	39	2,172	—	—	(146)	15,846
Profit/(Loss) from operating activities	2,674	(4,519)	2,861	(22,788)	9,421	2,607	(216)	(12,782)	—	(32)	(22,774)
Finance costs, net											(13,389)
Foreign exchange gain, net											1,198
Other expenses, net											(1,008)
Share of gain of joint ventures											1,962
Income tax benefit											2,548
Loss for the period from continuing operations											(31,463)
Total assets	96,152	852,722	203,128	717,039	210,440	178,216	59,671	20,883	—	—	2,338,251
Capital expenditures	511	2,547	236	13,373	—	8,870	—	239	—	—	25,776
Amortization and depreciation	1,062	5,292	845	16,352	12	2,029	—	157	—	—	25,749
Liabilities	11,634	23,645	64,803	70,519	38,032	27,542	—	804,205	—	—	1,040,380

During the three months ended 30 September 2013, two of the Group's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 87% of total external sales.

The Group operates in two principal geographical areas — Ukraine and the Russian Federation. Information about its non-current assets by location of the assets and about revenue from continuing operations generated by the assets located in these areas is detailed below:

(in USD thousands)	Revenue from external customers	Non-current assets
	3 months ended 30 September 2013	As of 30 September 2013
Ukraine	309,379	1,124,941
Russian Federation	103,524	152,253
Total	412,903	1,277,194

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal in Taman port).

5. Acquisition and Disposal of Subsidiaries

No entities were acquired or disposed during the three month periods ended 30 September 2013 and 2014.

During the year ended 30 June 2014, the Group finalized accounting for the business combination of Druzhba-Nova Group. The adjustments to provisional values presented in prior periods' financial statements of the Group have been made retrospectively with corresponding changes in goodwill.

These adjustments have resulted mostly from the finalization of valuation of property, plant and equipment. The most significant adjustments have been made to provisional values related to the following accounts: decrease of property, plant and equipment in the amount of USD 4,071 thousand, and recognition of goodwill in the amount of USD 4,308 thousand.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

for 3 months ended 30 September

6. Trade Accounts Receivable, net

The change in the amount of trade accounts receivable was caused by a year-on-year decrease in commodity prices. Since the majority of trade receivables is denominated in US dollars, the devaluation of the Ukrainian hryvnya did not have a material effect on the decrease.

7. Inventory

The balances of inventories were as follows:

(in USD thousands)	As of 30 September 2014	As of 30 September 2013
Goods for resale	95,729	50,104
Agricultural products	93,415	41,664
Raw materials	85,877	68,079
Finished products	71,901	120,938
Work in progress	14,473	6,746
Fuel	4,090	4,152
Packaging materials	1,108	1,024
Other inventories	44,795	34,854
Total	411,388	327,561

As of 30 September 2014 and 2013, raw materials were represented mainly by sunflower seed stock.

As of 30 September 2014, finished goods mostly consisted of sunflower oil in bulk in the amount of USD 55,585 thousand and sugar in the amount of USD 4,651 thousand. As of 30 September 2013, these amounts were USD 43,796 thousand and USD 52,923 thousand, respectively.

The work-in-progress balance as of 30 September 2014 consisted of capitalized expenses of USD 14,473 thousand incurred in planting and cultivating fields to be harvested in the financial year 2016.

As of 30 September 2014, inventories with a carrying amount of USD 203,376 thousand (as of 30 September 2013: USD 101,511 thousand) were pledged by the Group as collateral against short-term borrowings obtained from banks (Note 12).

8. Biological Assets

The decrease in the amount of biological assets as of 30 September 2014 in comparison with as of 30 June 2014 was caused by crop harvesting.

9. Assets Classified as Held for Sale

For the three months ended 30 September 2014 there were no material changes in the assets classified as held for sale.

In September 2013, the Group disposed property, plant and equipment of Orzhytsky Sugar Plant LLC for a total sale consideration of USD 5,100 thousand. These assets were reclassified as assets held for sale following the approval of directors as of 27 June 2013.

10. Property, Plant and Equipment, net

During the three months ended 30 September 2014, the Group acquired property, plant and equipment amounting to USD 11,956 thousand (for the three months ended 30 September 2013: USD 25,776 thousand). These purchases were related mainly to the construction of two silos and purchases of agricultural vehicles and equipment for the farming segment. Additionally, there was a decreasing effect on net book value due to a normal depreciation charge.

The decrease in property, plant and equipment in the amount of USD 15,138 thousand resulted from the depreciation of Ukrainian hryvnya during the three months ended 30 September 2014.

As of 30 September 2014, property, plant and equipment with a carrying amount of USD 186,887 thousand (as of 30 September 2013: USD 356,592 thousand) were pledged by the Group as collateral against short-term and long-term bank borrowings (Note 12 and 13).

11. Available-for-Sale Financial Assets

In May 2014, the government approved a resolution setting the parameters of new special government bond issues intended to compensate for VAT refunds due to businesses outstanding as of 31 December 2013 and not paid until the bonds' issuance. The bonds have a five year maturity, are amortized at 10% a semi-annually and pay a semi-annual coupon of 9.5%. The Group classified VAT bonds as available-for-sale financial assets and stated them at fair value at the end of the reporting period in the amount of USD 18,296 thousand. The bonds are measured according to current market prices for similar financial assets.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

for 3 months ended 30 September

12. Short-term Borrowings

The balances of short-term borrowings were as follows:

(in USD thousands)	As of 30 September 2014	As of 30 September 2013
Bank credit lines	392,758	342,061
Interest accrued on short-term borrowings	1,457	775
Interest accrued on long-term borrowings	1,912	2,612
Total	396,127	345,448

The balances of short-term borrowings as of 30 September 2014 were as follows:

(in USD thousands)	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 6.0%	USD	August 2015	104,000
European bank	Libor + 5.75%	USD	June 2015	59,500
European bank	Libor + 6.25%	USD	April 2015	55,000
European bank	Libor + 7.5%	USD	December 2014	50,886
Ukrainian subsidiary of European bank	Libor + 5.8%	USD	September 2015	38,808
Ukrainian subsidiary of European bank	10.0%	USD	February 2015	35,600
European bank	Libor + 4.0%	USD	June 2015	27,000
Ukrainian subsidiary of European bank	Libor + 10.5%	USD	December 2014	13,000
European bank	Libor + 5.5%	USD	April 2015	8,964
Total bank credit lines				392,758
Interest accrued on short-term borrowings				1,457
Interest accrued on long-term borrowings				1,912
Total				396,127

The balances of short-term borrowings as of 30 September 2013 were as follows:

(in USD thousands)	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.75%	USD	August 2014	75,000
European bank	Libor + 3.75%	USD	June 2014	55,900
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	September 2014	55,000
Ukrainian subsidiary of European bank	Libor + 7.5%	USD	August 2014	52,800
Ukrainian subsidiary of European bank	Libor + 8.0%	USD	July 2014	29,600
Ukrainian subsidiary of European bank	6.0%	USD	November 2013	18,100
Ukrainian subsidiary of European bank	8.0%	UAH	November 2013	16,921
European bank	Libor + 3.0%	USD	February 2014	15,000
Ukrainian subsidiary of American bank	Libor + 1.0%	USD	June 2014	12,573
Ukrainian subsidiary of European bank	9.75%	USD	October 2013	4,737
Ukrainian subsidiary of European bank	5.5%	USD	October 2013	3,723
Ukrainian subsidiary of European bank	9.5%	USD	October 2013	1,427
Ukrainian subsidiary of European bank	Libor + 5.0%	USD	November 2013	1,280
Total bank credit lines				342,061
Interest accrued on short-term borrowings				775
Interest accrued on long-term borrowings				2,612
Total				345,448

As of 30 September 2014, the overall maximum credit limit for short-term bank credit lines amounted to USD 843,564 thousand (as of 30 September 2013: USD 802,560 thousand).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

for 3 months ended 30 September

12. Short-term Borrowings (continued)

Short-term borrowings from banks were secured as follows:

(Assets pledged in USD thousands unless otherwise stated)

	As of 30 September 2014	As of 30 September 2013
Inventory	203,376	101,511
Property, plant and equipment	76,696	137,361
Intangible assets	—	5,929
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	280,072	244,801

As of 30 September 2014, the following controlling stakes of Subsidiaries were pledged: 20 agricultural companies and one sunflower oil plant (as of 30 September 2013: three sunflower oil plants, two grain elevators and 30 agricultural companies).

13. Long-term Borrowings

The balances of long-term borrowings were as follows:

(in USD thousands)

	As of 30 September 2014	As of 30 September 2013
Long-term bank borrowings	293,154	418,733
Current portion of long-term borrowings	(66,180)	(78,291)
Total	226,974	340,442

The balances of long-term borrowings as of 30 September 2014 were as follows:

(in USD thousands)	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	120,000
European bank	Libor + 5.5%	USD	February 2016	63,000
Russian bank	Libor + 8.35%	USD	February 2016	43,000
Ukrainian subsidiary of European bank	Libor + 7.5%	USD	December 2015	37,689
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	12,500
European bank	Libor + 1.65%	USD	March 2020	16,965
Total				293,154

The balances of long-term borrowings as of 30 September 2013 were as follows:

(in USD thousands)	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	120,000
European bank	Libor + 5.5%	USD	February 2016	81,000
European bank	Libor + 6.25%	USD	January 2015	75,000
Russian bank	Libor + 8.35%	USD	August 2016	60,003
Ukrainian subsidiary of European bank	Libor + 7.5%	USD	November 2017	46,539
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	January 2017	21,875
European bank	Libor + 2.65%	USD	April 2015	14,316
Total				418,733

Long-term borrowings as of 30 September 2014 include credit lines from banks with an overall maximum credit limit of USD 318,154 thousand (as of 30 September 2013: USD 438,730 thousand).

Long-term borrowings from banks were secured as follows:

(Assets pledged in USD thousands unless otherwise stated)

	As of 30 September 2014	As of 30 September 2013
Property, plant and equipment	110,191	219,231
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	110,191	219,231

As of 30 September 2014, stakes in Subsidiaries were pledged including controlling stakes in two export terminals, three sunflower oil plants, one agricultural company and a 50% stake in a joint venture (as of 30 September 2013: controlling stakes in two export terminals, two sunflower oil plants, one Holding company and a 50% stake in a joint venture).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

for 3 months ended 30 September

14. Income Tax

The Parent is subject to corporate income tax in Luxembourg. The tax rate in Luxembourg was 22.47% as of 30 September 2014 (22.47% as of 30 September 2013). The corporate income tax rate in Ukraine, where the main operation of the Group is located, was 18% as of 30 September 2014 and 19% as of 30 September 2013.

The majority of the Group's companies that are involved in agricultural production pay the Fixed Agricultural Tax (FAT) in accordance with the Tax Code of Ukraine. The FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty, and Trade Patent. The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognized in the statement of profit and loss in other operating income.

The Tax Code of Ukraine introduced an 18% income tax rate effective from 1 January 2014 (19% effective 1 January 2013). Consequently, deferred income tax assets and liabilities as of 30 September 2014 were measured based on the revised income tax rate.

15. Other Operating Income

For the three months ended 30 September 2014, other operating income includes VAT refunds and other government grants in the amount of USD 3,866 (as of 30 September 2013: USD 7,181 thousand) and wash-out contracts that amount to USD 1,805 thousand (nil as of 30 September 2013).

16. Foreign Exchange (Loss)/Gain, net

Foreign exchange (loss)/gain, net was related to the following balances:

(in USD thousands)	For 3 months ended 30 September 2014	For 3 months ended 30 September 2013
VAT recoverable and prepaid	(7,140)	—
Corporate income tax prepaid	(3,898)	—
Cash and cash equivalents nominated in foreign currencies	(1,327)	—
Other	(4,837)	1,198
Total	(17,202)	1,198

17. Transactions with Related Parties

Related parties are the Beneficial Owner, companies under common control of the Beneficial Owner, joint ventures and the Group's key management personnel.

The Group had the following balances outstanding with related parties:

(in USD thousands)	Related party balance	Total category as per consolidated statement of financial position	Related party balance	Total category as per consolidated statement of financial position
	As of 30 September 2014		As of 30 September 2013	
Prepayments to suppliers and other current assets, net	15,516	77,914	14,276	133,666
Other non-current assets	4,795	25,554	20,695	44,980
Trade accounts payable	9,596	38,880	4,171	60,605
Advances from customers and other current liabilities	14,830	74,959	75,045	173,491
Other non-current liabilities	7,252	11,745	—	5,303

As of 30 September 2014 and 30 September 2013, the Group did not create an allowance for trade accounts receivable, prepayments made and other non-current assets from related parties.

No expense has been recognized in the current or prior quarter for bad or doubtful debts in respect of the amounts owed from related parties.

Advances from customers and other current liabilities and trade accounts payable as of 30 September 2014 included amounts due to Namsen Limited. These amounts included a USD 13,499 thousand loan provided by Namsen Limited to Inter-Agro Group and USD 6,544 thousand trade payables to Namsen Limited for sunflower oil purchases.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

for 3 months ended 30 September

17. Transactions with Related Parties (continued)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Other non-current assets as of 30 September 2013 included a loan provided to Namsen Limited in the amount of USD 13,945 thousand, which is interest bearing at 2% per annum.

Advances from customers and other current liabilities as of 30 September 2013 include amounts due to Namsen Limited. This amount includes:

- USD 18,025 thousand for the purchase of Stiomi Holding;
- USD 28,916 thousand for the purchase of Inter-Agro, which is interest bearing at 4% per annum;
- USD 20,043 thousand is a loan provided by Namsen to Inter-Agro Group.

All remaining outstanding balances with related parties that are presented in the table above, were represented by amounts due to companies under common control.

Transactions with related parties were as follows:

	Amount of operations with related parties	Total category per consolidated income statement	Amount of operations with related parties	Total category per consolidated income statement
(in USD thousands)	3 months ended 30 September 2014		3 months ended 30 September 2013	
Cost of sales	(191)	(465,982)	(49)	(377,744)
General, administrative and distribution expenses	(9,674)	(59,860)	(6,417)	(64,394)
Finance costs, net	52	(18,491)	123	(13,389)
Other income/(expenses), net	107	(3,767)	—	(1,008)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties. For the three months ended 30 September 2014, distribution expenses included USD 9,422 thousand of services for the transportation of goods paid to Zernovoy Terminalny Complex Taman LLC (for the three months ended 30 September 2013, distribution costs included USD 6,324 thousand). All other transactions occurred with related parties under common control.

As of 30 September 2014, the Board consisted of the following eight directors: the Chairman of the Board, three non-executive independent directors and four directors employed by Subsidiaries. Remuneration of the Board (8 Directors) for the three months ended 30 September 2014 amounted to USD 66.3 thousand (for the three months ended 30 September 2013: 8 Directors, USD 66.3 thousand). The non-executive directors also are refunded, to a reasonable extent, any expenses incurred by them in performing their duties, including reasonable travel expenses.

Five directors employed by Subsidiaries are entitled to remuneration for their services as members of the Management Team of the Group. Remuneration of the Management Team of the Group, totaling 14 people, amounted to USD 608 thousand for the three months ended 30 September 2014 (for the three months ended 30 September 2013: USD 564 thousand).

The members of the Board of Directors and Management Team members are not granted any pensions or retirement or similar benefits by the Group. The Management of the Group has been provided with options to purchase the shares of the Holding.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

for 3 months ended 30 September

18. Commitments and Contingencies

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 30 September 2014, the Group companies had ongoing litigation with tax authorities mainly related to the disallowance of a certain amount of VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues. According to an assessment performed by the management of the Group, the maximum exposure of the Group to such risks as of 30 September 2014 amounted to USD 71,605 thousand (30 September 2013: USD 159,654 thousand). Out of this amount, USD 29,461 thousand relates to cases where court hearings took place and where the court in either the first or second instance already ruled in favor of the Group (30 September 2013: USD 106,998 thousand). Management believes that based on past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Capital Commitments

As of 30 September 2014, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 1,056 thousand (30 September 2013: USD 1,263 thousand) for the supply of equipment and services.

Contractual Commitments on Sales

As of 30 September 2014, the Group had entered into commercial contracts for the export of 1,168,394 tons of grain and 479,515 tons of sunflower oil and meal, corresponding to amounts of USD 260,011 thousand and USD 246,191 thousand, respectively, at prices as of 30 September 2014.

As of 30 September 2013, the Group had entered into commercial contracts for the export of 1,438,500 tons of grain and 532,074 tons of sunflower oil and meal, corresponding to amounts of USD 346,196 thousand and USD 257,023 thousand, respectively, at prices as of 30 September 2013.

19. Subsequent Events

In early November 2014, the Board of Directors approved the agenda for the general meeting of shareholders to be held on 10 December 2014. Among other items, the board proposes an ordinary dividend payout of USD 0.25 per share.